

## Message Text

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DRAFTED BY TREASURY:W.H.WITHERELL:LER

APPROVED BY EB/ORF/FSE - LAWRENCE R. RAICHT

TREASURY - MR. G.L. PARSKY

TREASURY - MR. L. WIDMAN

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R 122325Z JUN 75

FM SECSTATE WASHDC

TO AMEMBASSY BRUSSELS

AMEMBASSY PARIS

USMISSION OECD PARIS

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OECD PASS ENDERS

E.O. 11652:

TAGS: ENRG, NA

SUBJECT:MESSAGE TO DAVIGNON RE FII

1. PLEASE PASS DAVIGNON FOLLOWING MESSAGE FROM TREASURY  
ASSISTANT SECRETARY GERALD PARSKY:

2. QUOTE. AS CHAIRMAN OF THE IEA AD HOC GROUP ON FINANCIAL  
INVESTMENT ISSUES, I WOULD LIKE TO MAKE A PRESENTATION TO  
A JULY MEETING OF THE GOVERNING BOARD ON THE WORK OF THE  
AD HOC GROUP THUS FAR, GIVING OUR POSITIONS FOR THE NEXT  
PREPCON ON THOSE FINANCIAL AND INVESTMENT ISSUES ON WHICH  
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AGREEMENT HAS BEEN REACHED IN THE DELIBERATIONS OF THE  
GROUP AND OF OTHER FORA CONSIDERING THESE ISSUES AND  
NOTING THOSE ISSUES WHERE FURTHER WORK REMAINS TO BE DONE.  
I WOULD PLAN TO HOLD A MEETING OF THE AD HOC GROUP PRIOR

TO THE GOVERNING BOARD MEETING TO CONSIDER A DRAFT REPORT TO THE GOVERNING BOARD, AND RECEIVE AND CONSIDER A REPORT ON THE WORK OF THE OECD ECONOMIC POLICY COMMITTEE TEMPORARY WORKING PARTY. HOPEFULLY GOVERNING BOARD COULD PROVIDE GUIDANCE AS TO NATURE OF FURTHER WORK TO BE DONE IN LIGHT OF REVISED EXPECTATIONS FOR ENERGY CONFERENCE. IT WOULD BE HELPFUL TO KNOW WHETHER THE GOVERNING BOARD DESIRES PAPERS

WHICH ARE SPECIFICALLY DESIGNED TO PROVIDE ARGUMENTS FOR USE IN DISCUSSIONS WITH PRODUCERS AND THE DATES ON WHICH SUCH PAPERS WOULD BE NEEDED.

3. THE CURRENT STATUS OF OUR DEVELOPMENT OF POSITIONS ON AN ISSUE-BY-ISSUE BASIS IS AS FOLLOWS:

A. INDEXATION AND GUARANTEES OF PRODUCER INVESTMENTS. A FIRM CONSENSUS HAS DEVELOPED IN BOTH THE AD HOC GROUP AND THE EPC TEMPORARY WORKING PARTY AGAINST INDEXATION OF PRODUCER INVESTMENTS OR THE GRANTING OF SPECIAL GUARANTEES.

B. OPEC DIRECT INVESTMENT IN INDUSTRIALIZED COUNTRIES. CONSUMER COUNTRY POSITIONS AS EXPRESSED IN THE AD HOC GROUP AND IN THE OECD COMMITTEE ON INVESTMENT AND MULTINATIONAL ENTERPRISES ARE ALSO IN AGREEMENT ON THIS SUBJECT. OECD COUNTRIES WILL CONTINUE TO TREAT PRODUCER COUNTRY INVESTMENTS IN ACCORDANCE WITH THEIR OVERALL POLICIES TOWARDS FOREIGN INVESTMENTS IN A NON-DISCRIMINATORY MANNER. PRODUCERS SHOULD BE READY TO COOPERATE WITH INDUSTRIALIZED COUNTRIES IN AVOIDING POTENTIAL DIFFICULTIES THAT COULD RESULT FROM EXCESSIVE GEOGRAPHICAL OR SECTORAL CONCENTRATION OF INVESTMENTS. CONSUMER COUNTRIES BELIEVE IT IS NEITHER NECESSARY NOR DESIRABLE TO PROVIDE ANY SPECIAL GUARANTEES FOR PRODUCER INVESTMENTS.

C. JOINT OECD-OPEC INVESTMENT FUND PROPOSALS: CONSIDERATION OF GERMAN PROPOSAL AND SIMILAR INVESTMENT FUND LIMITED OFFICIAL USE  
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PROPOSALS BY TEMPORARY WORKING PARTY HAS BEEN PLACED ON "BACK BURNER" DUE TO APPARENT LACK OF OPEC COUNTRY INTEREST IN THIS CONCEPT. TWP RAISED NUMBER OF QUESTIONS ABOUT THESE PROPOSALS WHICH WOULD NEED TO BE RESOLVED BEFORE ANY DECISIONS WERE MADE TO TAKE INITIATIVE IN THIS AREA.

D. RECYCLING AND BALANCE OF PAYMENTS ADJUSTMENT: THE TEMPORARY WORKING PARTY HAS CONCLUDED THAT FINANCIAL ARRANGEMENTS IN EXISTENCE OR IN PROSPECT SEEM ADEQUATE, ALTHOUGH SOME INDIVIDUAL COUNTRIES MAY FACE PROBLEMS, AND THAT THERE IS NO NEED FOR ANY FINANCIAL INITIATIVE BY

OECD COUNTRIES TOWARDS OPEC AT THIS TIME. TWP CHAIRMAN EXPECTS TO PREPARE BRIEF REPORT ON TWP CONCLUSIONS WHICH, TOGETHER WITH SECRETARIAT ANALYSIS OF THE MACROECONOMIC EFFECTS OF THE HIGH OIL PRICES, SHOULD BE READY IN EARLY JULY.

E. PRODUCER CLAIM TO GREATER VOICE IN INTERNATIONAL MONETARY SYSTEM: CONSUMERS REMAIN FIRM THAT SUBSTANTIVE NEGOTIATION ON THIS ISSUE SHOULD REMAIN IN THE IMF AND OTHER RELEVANT INTERNATIONAL INSTITUTIONS.

F. DEVELOPMENT COOPERATION BETWEEN INDUSTRIALIZED COUNTRIES AND THE PRODUCER COUNTRIES: CONSUMERS ARE IN GENERAL AGREEMENT THAT, ALTHOUGH ECONOMIC ADVANTAGES TO CONSUMERS ARE QUESTIONABLE, THIS IS A POSSIBLE AREA FOR INITIATIVES FROM CONSUMERS WITH RESPECT TO PROVIDING TECHNICAL ASSISTANCE, TRAINING AND MANAGERIAL SKILLS AND THE FACILITATION OF PRIVATE SECTOR INVESTMENT. CONSIDERABLY FURTHER WORK NEEDS TO BE DONE, HOWEVER, IF WE ARE TO DEVELOP SPECIFIC PROPOSALS. ALTERNATIVELY THE CONSUMERS COULD SIMPLY POINT OUT THE MAJOR BILATERAL EFFORTS ALREADY UNDERWAY.

G. PRODUCER/INDUSTRIALIZED COUNTRY COOPERATION IN PROVIDING ASSISTANCE TO DEVELOPING CONSUMER COUNTRIES. TEMPORARY WORKING PARTY NOTED THAT COUNTRIES ARE ALREADY COOPERATING WITH THE PRODUCERS AND DEVELOPING COUNTRIES IN PLANNING AND IMPLEMENTING DEVELOPMENT PROGRAMS, BOTH BILATERALLY AND THROUGH IBRD. THIS SEEMS TO BE ONE OF LIMITED OFFICIAL USE  
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THE FEW AREAS WHERE THERE ARE STRONG COMMON INTERESTS AMONG THE INDUSTRIALIZED CONSUMERS, THE DEVELOPING CONSUMERS, AND THE PRODUCERS. NEVERTHELESS, TWP SAW NO NEED FOR NEW INSTITUTIONAL ARRANGEMENTS OR OTHER SPECIAL ATTENTION.

H. TRADE BETWEEN PRODUCERS AND CONSUMERS: THE HANDLING OF TRADE AND COMMODITY ISSUES IN THE CONSUMER-PRODUCER DIALOGUE IS AN AREA WHERE POLICIES HAVE EVOLVED CONSIDERABLY SINCE THE LAST MEETING OF THE AD HOC GROUP AND CONSIDERABLE FURTHER WORK REMAINS TO BE DONE ON THIS SUBJECT.

I. INDEXING OF OIL PRICES: THE AD HOC GROUP HAS TAKEN A GENERALLY NEGATIVE POSITION ON PRICE INDEXATION NOTING THAT IT WOULD POSE SERIOUS PROBLEMS AND THAT IT REQUIRES MUCH FURTHER STUDY. GROUP PLANS TO DEVELOP EXPANDED PRESENTATION ON THIS SUBJECT.

4. MY REPORT TO THE GOVERNING BOARD WILL EXPAND UPON

THE ABOVE POSITIONS, AS REVISED IN THE MEETING OF THE  
AD HOC GROUP, AND WILL DESCRIBE THE FUTURE WORK PLAN  
OF THE GROUP. END QUOTE.

5. FOR US OECD: PLEASE INFORM LANTZKE AND HOPKINS OF  
THE FOREGOING. KISSINGER

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## Message Attributes

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